

25th October 2011

Company Announcements Officer
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Re: POSEIDON TO DOUBLE PROPOSED MINE THROUGHPUT

We enclose herewith a copy of an announcement in relation to the above.

Yours faithfully



David P.A. Singleton
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

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CORPORATE DIRECTORY

Director / Senior Management

| | |
|-----------------|---|
| David Singleton | Managing Director & Chief Executive Officer |
| Andrew Forrest | Non-Executive Chairman |
| Geoff Brayshaw | Non-Executive Director |
| Richard Monti | Non-Executive Director |
| Chris Indermaur | Non-Executive Director |
| Ross Kestel | Company Secretary |

Corporate Enquiries

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Shareholder Enquiries

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Registered Office

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Home Exchange

The Company's shares are listed
on the Australian Securities Exchange
and the home exchange is Perth
ASX code: POS

ASX Announcement

25th October 2011

Poseidon to Double Proposed Mine Throughput

- **Mine throughput to be doubled to 700,000 tonnes**
- **Cerberus deposit to be accelerated into production**
- **Overall project feasibility report projected for completion by early 2012**

Poseidon Nickel (ASX:POS) is pleased to announce that it now intends to double the initial proposed throughput of its Windarra Nickel project. Poseidon is now upgrading the mine planning and production plant design to process 700,000 tonnes of ore to be sourced from the Mt Windarra and Cerberus deposits. This change will mean that the Windarra Nickel project could meet its initial planned nominal output of 10,000 nickel tonnes in concentrate, 12 months earlier than originally expected.

Feasibility work carried out by an independent mine planning group has indicated the potential to increase production rates at the Mt Windarra mine. In addition, the successful resource drilling at the Cerberus nickel deposit has led to the potential to bring forward its initial opening to the same time as the Mt Windarra deposit. As announced recently, the current round of drilling at Cerberus will be completed in the next few weeks to enable a mining reserve to be formally published with current modelling indicating an economically mineable resource. Initial flotation test work has indicated that Cerberus will produce a high grade, high recovery concentrate that can be processed in conjunction with the Mt Windarra ore. As a result of these outcomes, Poseidon has now placed an engineering contract to update the design of concentrator process plant to a nominal throughput of 700,000 tonnes per annum through a single train. Studies completed to date have indicated a material reduction in the operating costs and capital intensity of the larger scale concentrator.

The revised and updated feasibility study for the joint Mt Windarra and Cerberus development is now planned to be complete by early 2012. Poseidon expects to lodge the mining proposal for the Mt Windarra project by the end of October 2011.

| Windarra Nickel Project Sulphides | Cut Off Grade | Resource Category | | | | | | | | |
|-----------------------------------|---------------|-------------------|-------------|---------------|------------------|-------------|---------------|------------------|-------------|----------------|
| | | Indicated | | | Inferred | | | TOTAL | | |
| | | Tonnes | Ni% Grade | Ni Metal t | Tonnes | Ni% Grade | Ni Metal t | Tonnes | Ni% Grade | Ni Metal t |
| Mt Windarra | 0.75% | 910,000 | 1.24 | 11,300 | 2,955,000 | 1.72 | 50,900 | 3,865,000 | 1.61 | 62,200 |
| South Windarra | 0.90% | 820,326 | 1.15 | 9,434 | 82,404 | 1.05 | 864 | 902,730 | 1.14 | 10,300 |
| Cerberus | 1.25% | 756,360 | 1.62 | 12,264 | 1,092,500 | 2.35 | 25,707 | 1,848,816 | 2.05 | 37,970 |
| Total Sulphide | | 2,486,686 | 1.33 | 32,998 | 4,129,904 | 1.88 | 77,471 | 6,616,546 | 1.67 | 110,470 |

Note: The information in this report relates to Exploration Results and Mineral Resources based on information compiled by Mr N Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists and Mr I Glacken who is a Fellow of the Australasian Institute of Mining and Metallurgy as well as a full time employee of Optiro Pty Ltd. Mr Hutchison and Mr Glacken both have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Hutchison and Mr Glacken have consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.